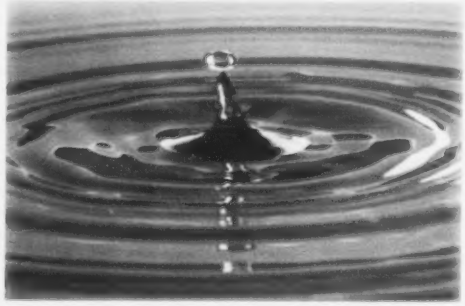
Newfoundland Labrador

Department of Municipal Affairs



2010 – 2011 Annual Report

Message from the Minister

In accordance with Government's *Transparency and Accountability Act*, I have the honour to submit to the House of Assembly, the Annual Report of the Department of Municipal Affairs for the year ended March 31, 2011. The activities of the Department are guided by its Vision: **communities with viable, sustainable municipal services led by strong local governments**.

I am pleased to report that the Department has many significant achievements with regard to fulfilling the goals of its 2008-11 Strategic Plan, as well as its 2006 – 11 Mission. In particular, the Department has made significant strides in supporting regional municipal service delivery. Over the past five years $101.7 million has been invested in regional waste management initiatives to advance the implementation of the Provincial Solid Waste Management Strategy. The Department has supported communities in numerous regional collaboration initiatives which enabled them to deliver better and more affordable services to their residents.

As Minister, I am accountable for the development of the 2010-11 Annual Report and the results reported. The Department has developed a new Strategic Plan for the period 2011-14, including a Mission for the period 2011-17. I look forward to addressing issues of importance to municipalities in the coming years.

Sincerely yours,

Kevin O'Brien
Minister

Department of Municipal Affairs

2010-11 Annual Report

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Labrador Regional Office

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Department of Municipal Affairs

2010-11 Annual Report

Primary clients:

- 271 municipalities
- 5 Inuit Community Governments
- 178 local service districts

DEPARTMENTAL OVERVIEW

The Department of Municipal Affairs delivers programs and services to ensure people enjoy healthy, safe and sustainable communities supported by strong local governments. The Department supports the financial stability and viability of municipalities and the efficient and effective delivery of municipal services. The Department assists municipalities in meeting their infrastructure needs and provides the financial and administrative tools to support sound municipal governance.

Mandate

The mandate of the Department of Municipal Affairs is derived from the Department of Municipal and Provincial Affairs Notice, 2003 under the *Executive Council Act*, and is informed by the legislation set out in the Schedule (see Appendix A for a list of Acts in the Schedule) which outlines the powers, duties and functions of the Minister, who is also appointed Registrar General. The Department of Municipal Affairs is directly responsible for all matters relating to municipal and provincial affairs.

The Department is a Category 1 entity under the Province's *Transparency and Accountability Act*, and is required to prepare 3-year strategic plans and annual performance reports in compliance with the *Act*.

The primary clients of the Department of Municipal Affairs are the 271 municipalities, 5 Inuit Community Governments, and 178 local service districts in Newfoundland and Labrador. Based on the 2006 census, 89 per cent of the provincial population resides within municipalities or Inuit communities, approximately 7 per cent reside in local service districts and 4 per cent live in unincorporated communities. The Department also provides support to three Regional Service Boards which deliver municipal services on a regional basis.

Lines of Business

Lines of business are the major programs, products or services provided to our primary clients. The Department of Municipal Affairs has five main lines of business: Local Governance, Municipal Infrastructure and Engineering Services, Employment Support, Provincial Affairs and Financial Services. These lines of business are outlined below:

Local Governance

The Department strengthens local governance by:

- formulating land use policy and regional approaches to service delivery;
- providing municipal training to elected and administrative officials;
- providing legislative interpretation to assist in the development of municipal by-laws;
- advising local government officials;
- conducting reviews of municipal administrative matters;
- administering grants and subsidies for community infrastructure;
- examining local governments' operations;
- monitoring levels of debt;
- providing operational support;
- participating in inter-provincial policy development and knowledge sharing; and
- supporting regional cooperation initiatives.

Municipal Infrastructure and Engineering Services

The Department guides infrastructure investments by:

- assessing needs and prioritizing municipal infrastructure investments;
- providing financial support for the development of municipal infrastructure;
- monitoring and providing guidance and advice on municipal infrastructure projects; and
- negotiating and managing federal-provincial agreements for municipal infrastructure funding.

Employment Support

The Department works with local, community-based sponsors to create short-term employment initiatives that provide enduring benefits to communities in rural areas. Additionally, Government has assigned the Department the responsibility to coordinate interdepartmental efforts to assist workers affected by permanent fish plant closures, including delivery of employment support programs.

Provincial Affairs

The Department has statutory responsibilities in relation to the following provincial affairs:

- supporting the annual pilgrimage to Beaumont Hamel;
- approving the use of legislated provincial identification symbols;
- prescribing and evoking *Newfoundland Daylight Time*;
- Great Seal of the Province; and
- Registrar General for the Province.

Financial Services

The Strategic Financial Management Division supports financial management in the following Government departments and agencies: Department of Municipal Affairs, Department of Government Services, Department of Environment and Conservation, Department of Innovation, Trade and Rural Development, Department of Tourism, Culture and Recreation, the Government Purchasing Agency, and Fire and Emergency Services- Newfoundland and Labrador.

Budget and Expenditures

The Department's approved budget, excluding Fire and Emergency Services – Newfoundland and Labrador, for 2010-11 was $230.1 million, an increase of $13.9 million over 2009-10. Net expenditure for fiscal 2010-11, after revenue, totalled $192.3 million, a decrease of $37.7 million from 2009-10. In 2010-11, gross expenditures decreased by $21.2 million and revenues increased by $16.5 million, which accounts for the $37.7 million difference. For further budget details see Appendix B – Financial Statements.

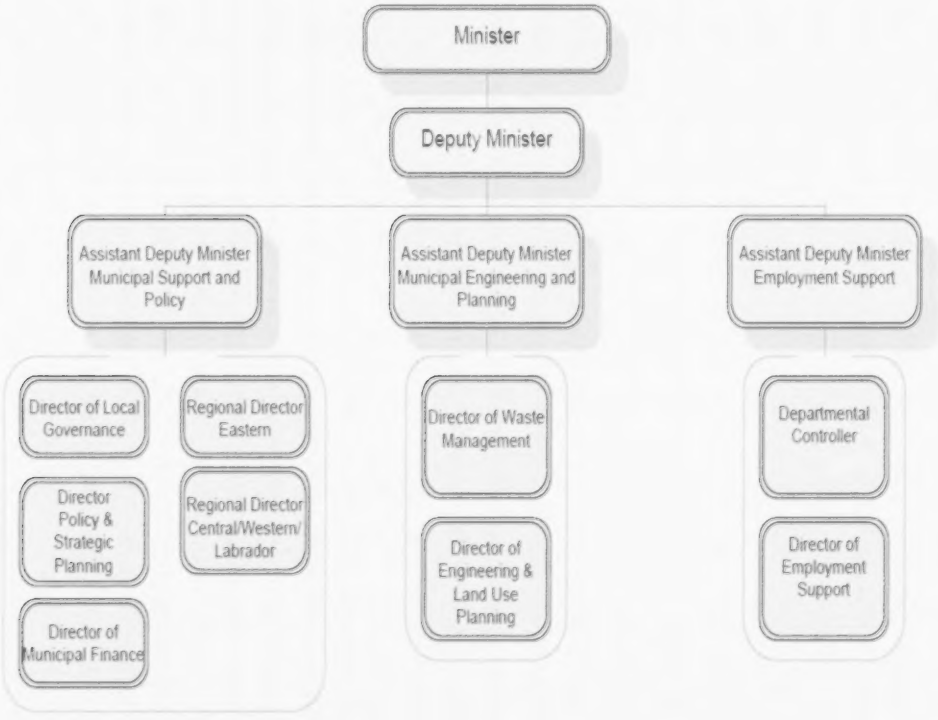
Three branches:

- Municipal Support and Policy
- Municipal Engineering and Planning
- Employment Support

Organizational Structure

The Department delivers its programs and services through three branches: Municipal Support and Policy, Municipal Engineering and Planning, and Employment Support. The three branches deliver five main lines of business: Local Governance, Municipal Infrastructure and Engineering Services, Employment Support, Provincial Affairs, and Financial Services.

While Fire and Emergency Services – Newfoundland and Labrador is accountable to the Minister of Municipal Affairs, under Government's accountability requirements, the agency has its own business plan and annual report. The Municipal Assessment Agency also reports to the Minister of Municipal Affairs, but it also has its own business plan and annual report.


Minister
Deputy Minister
Assistant Deputy Minister Municipal Support and Policy
Assistant Deputy Minister Municipal Engineering and Planning
Assistant Deputy Minister Employment Support
Director of Local Governance
Regional Director Eastern
Director Policy & Strategic Planning
Regional Director Central/Western/ Labrador
Director of Municipal Finance
Director of Waste Management
Director of Engineering & Land Use Planning
Departmental Controller
Director of Employment Support

Background on Department:

- 116 staff
- Head office located in St. John's
- Four regional offices

Staff Complement

In 2010-11, the Department had a total staff complement of 116 positions – 64 males and 52 females. This includes 17 financial services positions that also provide financial management support to four other government departments and two agencies. The educational backgrounds and skills of Departmental staff are diverse and reflect the Department's role in providing expertise to local governments in the areas of financial management, municipal administration, engineering, land use planning, employment support, legislative interpretation, and training for elected and non-elected municipal officials.

The Department's headquarters is located in St. John's. Primary public services offered through this office are: municipal programs and policy development; project management for municipal infrastructure projects; waste management; industrial water supply; land use planning; municipal financing support; legislative development and interpretation; municipal training; and short-term employment creation.

Four regional offices are located in: St. John's (Eastern Region), Gander (Central Region), Corner Brook (Western Region), and Happy Valley–Goose Bay (Labrador Region). Primary services offered by the regional offices are: municipal infrastructure project assessments and project management, municipal training, and legislative and administrative support.

The Department also maintains staff in Clarenville, whose primary function is to provide municipal infrastructure project assessments and project management with respect to water systems projects.

Staff complement by location is as follows:

Location	Staff Complement
St. John's - Headquarters	77
St. John's – Eastern Regional Office	13
Clarenville	1
Gander – Central Regional Office	8
Corner Brook – Western Regional Office	11
Happy Valley-Goose Bay	6
Total	**116**

Department works closely with a variety of organizations and associations

SHARED COMMITMENTS

The Department of Municipal Affairs collaborates with several provincial and federal government departments, as well as municipalities, particularly in the areas of land use planning, infrastructure development, environmental issues, regionalization of services, water quality, waste water treatment, waste management, employment support, and legislative and administrative support. Consultation and cooperation with organizations responsible for these issues is necessary to develop and work toward shared goals.

The Department has been successful in establishing positive relationships with stakeholders that have led to improved policies, services and programs, thereby supporting the strategic directions of Government. The Department works closely with numerous organizations and associations including but not limited to:

- Municipalities Newfoundland and Labrador (MNL);
- Professional Municipal Administrators (PMA);
- Combined Councils of Labrador;
- Regional joint councils;
- Regional Waste Management Authorities and Committees;
- Regional Service Boards;
- Royal Canadian Legion;
- Provincial Government departments including Environment and Conservation, Transportation and Works, Service NL , Health and Community Services, Fisheries and Aquaculture, Tourism, Culture and Recreation, Intergovernmental and Aboriginal Affairs Secretariat, and Labrador Affairs Office;
- Multi-Materials Stewardship Board (MMSB);
- Municipal Training and Development Corporation (MTDC);
- Infrastructure Canada;
- Atlantic Canada Opportunities Agency (ACOA);
- Atlantic Canada Water Works Association;
- Lending institutions;
- Educational institutions;
- Professional Engineers and Geoscientists of Newfoundland and Labrador;
- Newfoundland and Labrador Construction Association; and
- Consulting Engineers of Newfoundland and Labrador.

Together with these organizations, the Department has made significant progress towards its strategic directions of Strengthened Municipal Capacity and *Increased Regional Sustainability*.

- Department responded to Hurricane Igor by funding infrastructure repairs

HIGHLIGHTS AND ACCOMPLISHMENTS

Hurricane Igor Response

On September 21, 2010 Hurricane Igor devastated communities on the Burin and Bonavista peninsulas, washing out roads, bridges and water and sewer infrastructure. Within days of the disaster, Municipal Affairs officials had visited and/or consulted with 193 communities to evaluate the damage to municipal infrastructure. Working with local government leaders, the Department provided $4.6 million in emergency funding to restore essential infrastructure.

Fogo Island Amalgamation

In December 2010, the communities on Fogo Island took steps towards a stronger, sustainable future by agreeing to join together to form the new Town of Fogo Island. The Department supported this initiative by providing $5 million to write off the debt of the former communities and assist with transition costs and a new municipal plan. Elections for the new council took place in February 2011.

The Department of Municipal Affairs' support of the formation of the new Town of Fogo Island contributed to the strategic direction of *Strengthened Municipal Capacity.*

Integrated Community Sustainability Plans

Development of Integrated Community Sustainability Plans (ICSPs) is a requirement of the Canada/Newfoundland and Labrador Gas Tax Agreement, which provides funding for sustainable municipal infrastructure projects. These plans address a community's long-term sustainability objectives with respect to environmental, cultural, social, economic and governance issues.

Building upon the extensive training program conducted in 2009-10, the Department continued to work with municipalities to help them finalize their plans and ensure compliance with Gas Tax program requirements. Since 2009, a total of 178 plans have been submitted representing 243 municipalities. In summary, 88% of municipalities in the Province have now completed ICSPs.

Municipal Affairs' support for development of Integrated Community Sustainability Plans contributed to the Department's strategic direction of Increased Regional Sustainability.

Gas Tax Agreement

Through the Canada/Newfoundland and Labrador Gas Tax Agreement, the federal government provides funding to support environmentally sustainable municipal infrastructure. The Department of Municipal Affairs administers this funding. The current agreement will provide $124.6 million to municipalities over the period 2010 - 2014. Eligible project categories include: drinking water, waste water management, solid waste management, public transit, community energy systems, municipal capacity building, and transportation infrastructure (roads and bridges). In fiscal year 2010-11, the first year of this Agreement, the Department transferred $16.4 million in predetermined municipal allocations and $10.1 million for regional solid waste management initiatives.

The Department of Municipal Affairs' administrative support of the Gas Tax Agreement supported municipal infrastructure development, thus contributing to the strategic direction of Increased Regional Sustainability.

Special Assistance Grants

The Department continued to provide assistance to towns in central Newfoundland that experienced financial difficulties due to a decrease in taxation revenues resulting from the closure of the AbitibiBowater mill in Grand Falls-Windsor in 2009. The municipalities of Grand Falls-Windsor, Bishop's Falls, Botwood, Buchans, and Terra Nova received a total of $686,000 in Special Assistance grants in 2010. This is the second of three years of transitional assistance funding.

In addition, the Special Assistance fund provided grants to various municipalities and non-municipal organizations experiencing emergency needs related to water and sewer, roads, recreation, fire services, municipal buildings, training and various other needs.

Public Sector Accounting Board:

- 93% of municipalities submitted PSAB-compliant financial statements

Regional Governance Model

The Department's agreement with the Northern Peninsula Regional Service Board (NorPen) to pilot regional fire services continues to operate successfully. NorPen is managing the Straits Regional Fire Department, which serves municipalities, local service districts and unincorporated communities from Eddies Cove East to Anchor Point. Under the umbrella of its board of directors, NorPen has established a fire services sub-committee consisting of representatives of the Board and the fire department which provides direction for the delivery of fire protection services.

Over the past year NorPen conducted a financial review of its fire services operations. As a result, it has increased user fees commencing in 2011 in order to achieve a balanced budget and ensure sustainability of the service into the future.

NorPen has also delivered regional waste management services since 2005. The Department of Municipal Affairs' support of service delivery by NorPen contributes to the strategic direction of *Strengthened Municipal Capacity*.

Public Sector Accounting Board Standards Implementation

Commencing with the financial statements for fiscal year 2009, the Department now requires that all municipalities prepare financial statements which are compliant with Public Sector Accounting Board (PSAB) standards. Municipalities were required to submit their 2009 audited financial statements by June 30, 2010. By March 31, 2011, the Department had received financial statements from 257 municipalities, 93% of which were PSAB compliant. One-on-one guidance and support was provided by the Department to those municipalities deemed non-compliant to assist them in meeting the PSAB standards. Until PSAB-compliant statements are submitted to the Department, municipalities are ineligible for certain funding programs.

The Department will continue to provide assistance to municipalities and/or their auditors on PSAB standards. Support will be offered primarily through the Department's PSAB website (*www.ma.gov.nl.ca/ma/psab*). The website includes a template for the PSAB compliant financial statements, as well as training materials and reference manuals.

The Department's initiatives related to implementation of PSAB standards contributed to the strategic direction of *Strengthened Municipal Capacity*.

Waste Management Strategy

- Capital expenditures of $36.8 in 2010-11
- 20 entities working on shared waste management services
- 12 dumpsites closed in 2010-11

Municipal/Community Infrastructure

Municipalities throughout Newfoundland and Labrador are facing a variety of infrastructure demands including upgrading existing infrastructure or installing new infrastructure for drinking water treatment and distribution, sewage collection and treatment systems, and recreation facilities. The Department has continued to make significant investments in municipal infrastructure. Government's 2010-11 budget provided for $135.5 million in provincial investment for municipal infrastructure. This enabled leveraging an additional $53.4 million in federal funding provided under the various federal-provincial cost-shared agreements for a total municipal infrastructure program budget of $188.9 million – an increase of approximately 34 million over that budgeted for 2009-10. Details of the Department's expenditures for 2010-11 are contained in the financial statements in Appendix B.

The Department continued to support Government's Rural Drinking Water Safety Initiative. In 2010-11, $17.1 million was invested in drinking water treatment, distribution, and feasibility studies, including initiatives undertaken to serve rural communities.

Municipal Affairs' infrastructure investments contributed to the Department's strategic direction of *Increased Regional Sustainability.*

Provincial Solid Waste Management Strategy

In May 2007, Government announced the implementation of the $200M multi-year Strategy to ensure effective and efficient management of solid waste in Newfoundland and Labrador. The Department of Environment and Conservation is responsible for development of the Strategy, and the Department of Municipal Affairs is responsible for implementation of the Strategy. The Department of Government Services and the Multi-Materials Stewardship Board also contribute to implementation of the Strategy.

Municipal Affairs' role includes: working with community leaders to develop and implement solid waste management plans, establishing and working with regional waste management committees and authorities, and providing project management oversight for capital projects associated with implementation of the Strategy.

Capital expenditures totaled $36.8 million for the 2010-11 fiscal year. $29.9 million of that total was for capital infrastructure and equipment for the Central Newfoundland waste management system. Construction is ongoing at the regional full-service site located near Norris Arm North. A milestone was achieved in the fall of 2010 with the completion of the new regional administrative office located adjacent to the regional landfill site. Fall 2011 is the target date for commencement of operations at the Norris Arm site. Construction activity is near completion at seven local transfer stations strategically located throughout the region which are also scheduled to begin operations in Fall 2011. When these facilities are completed, 42 existing dumpsites will be closed.

Central Regional Administration Office – Norris Arm North

In the Eastern region, the material recovery (recycling) facility at Robin Hood Bay began operations in October 2010. The cities of St. John's and Mount Pearl, as well as towns such as Paradise, Logy Bay-Middle Cove-Outer Cove, Conception Bay South and Pouch Cove are offering curbside collection of recyclable materials. The residential drop-off facility and the household hazardous waste facility are also in operation at Robin Hood Bay.

The Western Waste Management Committee is engaged in a study which will determine the location of the full-service site and the type of system for the region. The feasibility of transporting waste to the Central regional site is also being investigated.

The Northern Peninsula Regional Service Board continues to deliver consolidated waste management services on the Northern Peninsula. In Labrador, $800,000 was spent on construction of a new landfill site

Three regional land use plans under development:

- Northeast Avalon
- Humber Valley
- Labrador Inuit Settlement Area

for western Labrador which will allow for the closure of the Wabush incinerator.

The Department is actively engaged with communities in every region of the province to find sustainable waste management solutions. In total, there are 20 regional or sub-regional entities that are in various stages of study and implementation with a common goal of providing shared waste management services that provide the most cost efficient means to meet the objectives of the waste management strategy.

As a result of these regional cooperation initiatives, 12 dump sites were operationally closed during the past year, and interim consolidation plans continue to be developed that will facilitate additional site closures in the coming year.

Significant strides have been made towards achievement of three of the main objectives in the Provincial Solid Waste Management Strategy, which was first announced in 2002:

1) Reduce the number of waste sites by 80%
   Waste sites have been reduced from 240 in 2002, to 158 in 2011, a 34% reduction.

2) 50% waste diversion
   The province funded a materials recovery (recycling) facility at Robin Hood Bay, which serves over half of the province's population. Participating communities report approximately 15% residential waste diversion.

3) Eliminate burning waste, including phase out of incinerators
   Incinerators have been reduced from 50 in 2002, to 11 in 2011.

Municipal Affairs' waste management initiatives contributed to the Department's strategic direction of *Increased Regional Sustainability.*

Land Use Planning

Regional plans provide a framework to ensure a balance between demands for development, natural resource use, and the need to protect the environment and enhance tourism potential. Regional planning is facilitated by regional planning authorities. These entities are mandated to oversee the preparation of a regional plan including the development of an appropriate public consultation process.

There are currently three regional land use plans under development in the Province: Northeast Avalon, Humber Valley, and the Labrador Inuit Settlement Area. The Minister of Municipal Affairs is the authority for the Northeast Avalon and Humber Valley regions, and has established public entities comprising municipal and provincial government representatives to assist with the preparation of those plans. The Regional Planning Authority for the Labrador Inuit Settlement Area comprises persons jointly appointed by the Province and the Nunatsiavut Government. The Department's support for development of regional land use plans contributed to Municipal Affairs' strategic direction of *Strengthened Municipal Capacity.*

In addition to supporting development of regional plans, the following plans, regulations and amendments were registered in 2010-11: nine new municipal plans and development regulations, one amendment to the St. John's Urban Region Regional Plan, 33 amendments to municipal plans, one amendment to a protected road zone plan and 78 amendments to municipal development regulations.

Employment Support

The Department delivered an employment support program that served approximately 2,200 workers in rural communities that face significant employment challenges. These individuals worked on approximately 300 different projects with a total cost of approximately $8.4 million.

A devastating outcome of Hurricane Igor was the destruction of the fish plant in Port Union which left approximately 200 plant workers unemployed. The Department provided $167,000 through the Community Enhancement Employment Program which enabled 56 of these workers who needed assistance qualifying for Employment Insurance to do so.

The Department also assisted 67 fish plant workers in the communities of Gaultois and Englee, whose plants were declared permanently closed.

VISION

The vision of the Department of Municipal Affairs is of communities with viable, sustainable municipal services led by strong local governments.

MISSION

The mission statement identifies the priority focus area of the Minister over two strategic planning cycles. The mission addressed in this report covered the period April 1, 2006 – March 31, 2011. It represents the key longer-term result that the Minister and the Department worked towards as they moved forward on the strategic directions of Government. The statement also identifies the measure and indicators that assist both the Department and the public in monitoring and evaluating success.

The Minister established the Department's 2006 – 11 mission in light of the following factors. One of the biggest challenges facing all municipalities in the Province was providing appropriate levels of municipal services in a cost-effective manner. Another challenge was the fiscal impact of meeting modern environmental standards for solid waste management, water treatment and waste water treatment. In addition, construction costs had been escalating substantially in recent years, and municipalities were facing enormous pressure to maintain existing infrastructure.

Lastly, to guide these future infrastructure and capital investment costs, municipalities would need funding to develop and/or revise municipal land use plans and sustainability plans. Given these challenges, the long term mission was:

By March 31, 2011, the Department of Municipal Affairs will have improved the efficiency of municipal service delivery.

Performance Measure: Improved efficiency of municipal service delivery

Indicator	Progress and Accomplishments
Increased investment in regional service delivery • solid waste disposal sites • water supply • waste water disposal	With regard to increased investment in regional service delivery, the focus has been on supporting the Provincial Solid Waste Management Strategy by funding modern regional waste management sites and associated transfer stations which feed into these sites. Prior to

	2006, there was no regional investment in solid waste management sites. Since that time, all funding has been provided in the context of regional strategies. A total of $101.7 million was invested between April 1, 2006 and March 31, 2011. A number of significant regional water supply projects were funded during the period of this mission. This includes $12.8 million towards upgrades to the Bay Bulls Big Pond water supply treatment plant which serves the communities of St. John's, Mount Pearl, Paradise, Conception Bay South and parts of Portugal Cove-St. Phillips. Corner Brook, Massey Drive and Mount Moriah will benefit from a $12 million provincial commitment towards a new water treatment plant. A total of $1.9 million was invested in regional water supply infrastructure for Grand Bank/Fortune, Hare Bay/Dover and Roddickton/Bide Arm. With regard to waste water disposal services, approximately $1.3 million was invested in sewage treatment infrastructure for Appleton/Glenwood. The Department also provided funding and dedicated human resources to assist communities interested in exploring regional service delivery. As a result, two new regional fire services were established and six groups of communities entered into various cooperative arrangements including amalgamations and expansion of local service districts whereby they could more effectively deliver municipal services over a broader geographic area.

Expansion of regional service boards across the Province	The Provincial Waste Management Strategy outlined how the province would be organized into regions for the purposes of shared waste management services. The Department facilitated the creation of Regional Service Boards (RSBs) for these regions by providing start-up funding, and advice on technical issues and governance models. Two new RSBs have been created: Central RSB and Eastern RSB. The Central board is fully operational, while the Eastern board is in the process of being formally appointed. When the Eastern RSB is finalized, RSBs will represent 68% of the province's population. The Northern Peninsula RSB had been established in 2004, which currently delivers both waste management and fire services. Work is underway to create RSBs in other regions for the purpose of providing regional waste management services.
Completion of regional land use plans for the Northeast Avalon and Humber Valley regions	The Department continues to actively support the development of regional land use plans for the Humber Valley and the Labrador Inuit Settlement Area. The process to complete the plans has taken longer than anticipated because of the complexities involved. The Humber Valley plan is substantially complete; its development is overseen by the Humber Valley Regional Planning Advisory Authority. The Northeast Avalon plan is still under development under the guidance of the Northeast Avalon Regional Plan Leadership Committee.
Increased investment in the development or enhancement of water and waste water treatment plants	Between April 1, 2006 and March 31, 2011, a total of $68.6 million was allocated, including funding for the Bay Bulls Big Pond regional water supply treatment plant. The Department invested in three other substantial

	projects: Happy Valley-Goose Bay sewage treatment plant, Corner Brook drinking water treatment plant, and upgrading of the Petty Harbour Long Pond water treatment plant. The Province has committed $5.2 million towards the Happy Valley-Goose Bay plant; construction is expected get underway in 2011. The Department is working with the City of Corner Brook and the federal government to finalize project scope and funding for the Corner Brook facility. The Province has committed $12 million towards this project, and work has commenced. Upgrades to the Petty Harbour Long Pond water treatment plant started in 2009, with a $13.6 million investment. During the period of this mission, Government identified safe drinking water as a Government-wide priority, particularly with respect to small communities with high risk water quality problems. A Drinking Water Safety Initiative was established under the Department of Environment and Conservation to which the Department of Municipal Affairs committed a minimum of $6 million annually from 2008 to 2011 to study and install small-scale water treatment plants. The feasibility study phase has been largely completed, and construction of infrastructure will begin in 2011.
Increased number of communities with a debt-service ratio of 30% or less	Progress has been made in improving debt-service ratios of communities. High debt loads create challenges for municipalities. In 2006, there were 232 communities with debt-service ratios of 30% or less. As of 2010, there were 253, an increase of 9%.

Increased cost-sharing ratio of provincial to municipal investment in capital infrastructure	In 2008, the Department implemented a new municipal infrastructure cost-sharing formula which increased the Provincial funding contribution for projects thereby reducing the financial burden on municipalities. Under the new formula, towns with populations under 3000 contribute 10% toward the cost of capital infrastructure. Towns with populations between 3000 and 7000 contribute 20%, and the largest cities and towns with populations over 7000 contribute 30%. Previously, municipalities were obliged to provide 20–50% of the funding for many projects. Another aspect of the new funding formula is that the ratios remain the same regardless of whether there is federal funding involved in the project.
Implementation of new threshold standards pertaining to average per unit cost of water and sewage services funded in any way by the Department	Numerical threshold standards have been implemented and are now calculated each year based on the average cost per unit for the provision of water and sewer services in the previous year. However the threshold standards are not used as a strict screen for eligible projects but rather as a guide. Providing services in areas with soil conditions such as a high percentage of rock or bog will be relatively high cost compared to those areas with normal soil conditions. These same areas with poor soil conditions may also prove to be areas where there is the greatest need. It is recognized that some of the higher cost projects are also those servicing areas with the greatest need.

The Department has met its mission of improving the efficiency of municipal service delivery by undertaking strategic investments and providing supports to municipalities to enable them to deliver services more efficiently. Several of the Department's initiatives focused on regional service delivery, thus providing a model whereby municipalities can offer modern services into the future.

OUTCOMES OF OBJECTIVES

In consideration of Government's strategic directions and the mandate and financial resources of the Department, the following issues were identified as the key priorities of the Minister for the period of April 1, 2008 to March 31, 2011. The goals identified for each issue reflect the results expected in the three-year timeframe, while the objectives provide annual benchmarks. This report delineates progress during the final year of the Department's 2008-2011 Strategic Plan.

ISSUE 1: Regional Service Delivery

Municipalities provide a range of services to their residents including clean drinking water, garbage pick up, solid waste and waste water disposal, snow clearing, fire protection, street lighting, and recreational facilities. However, some municipalities within the province are increasingly challenged to efficiently and effectively provide these services. Particularly in rural areas, the cost of delivering municipal services is increasing. Over the past number of years, many communities have entered into regional cooperation agreements in order to achieve greater economies of scale, broaden their tax base, and provide opportunities to access more strategic capital infrastructure investment. By doing so, regional sustainability is enhanced and local governance is strengthened.

In its 2008-11 Strategic Plan, the Department identified Regional Service Delivery as a critical component in achieving the strategic direction of *Increased Regional Sustainability*. Over the past three years, the Department has played a significant role in facilitating regional service delivery and funding regional infrastructure. The Department facilitated community cooperation initiatives by assisting with public meetings, providing financial assessments and funding, and overseeing compliance with legislative provisions. These initiatives have resulted in a number of community mergers, regional fire and waste management services, and new regional recreation facilities. Currently, approximately 36 communities in 12 locations throughout the Province continue to be engaged in regional service discussions.

Goal 1: By March 31, 2011, the Department of Municipal Affairs will have increased regional cooperation initiatives and assessed regional service delivery opportunities throughout the Province.

Performance Measure 1: Increased regional cooperation initiatives

Indicators	Progress and Accomplishments
Number of regional cooperation initiatives such as:	
Integrated community sustainability plans	Development of Integrated Community Sustainability Plans (ICSPs) is a requirement of the Canada/Newfoundland and Labrador Gas Tax Agreement, which provides funding for municipal infrastructure. These plans address a community's long-term sustainability objectives with respect to environmental, cultural, social, economic and governance issues. The Department provided financial assistance, training and advice to municipalities to assist them in preparing their ICSPs. By March 31, 2011, 27 collaborative ICSPs were submitted, representing 92 municipalities. In addition, 151 municipalities submitted stand alone ICSPs.
Water supply	The Department provided capital funding towards four regional water supply initiatives: Bay Bulls Big Pond, Petty Harbour Long Pond, Roddicton/Bide Arm and Grand Bank/Fortune.
Fire departments	The Department supported establishment of two new regional fire services: the Straits Regional Fire Department operated by the Northern Peninsula Regional Service Board, and the Bay de Grave Regional Services Corporation serving five communities in Conception Bay. In addition, five other communities entered into new shared fire services arrangements.
Solid waste management	The Department worked with 20 regional or sub-regional waste management entities to plan and or/implement regional waste management services. The Department provided technical advice and funding for studies. In addition, 10 communities entered into new shared waste disposal arrangements.

Regionalization of water system maintenance and operations	The Department focused on other regional cooperation initiatives, and was not directly involved in any initiative to regionalize water system maintenance and operations.
Mergers	Upon the request of communities interested in possible mergers, the Department provided supports such as overseeing the conduct of feasibility studies, assisting with public meetings, performing financial analysis, providing legislative interpretation, and conducting negotiation sessions with interested parties. Since April 1, 2008, six groups of communities pooled their resources through amalgamations or annexation. Altogether these involved 24 communities.
Regional governance structures	The Department identified municipalities, local service districts and unincorporated communities in regions which could benefit from establishment of a Regional Service Board (RSB) to effectively deliver municipal services. The Department facilitated the creation of RSBs for these regions by providing start-up funding, and advice on technical issues and governance models. Two new Regional Service Boards were established to deliver regional waste management services.
Snow clearing	The Department focused on other regional cooperation initiatives, and was not directly involved in any snow clearing or administration services regional cooperation initiatives.
Administration services	
Recreation facilities	The Department funded three new regional recreation facilities: the Jack Byrne Arena serving the Northeast Avalon opened in 2008, the Clarenville Regional Civic Centre opened in 2009, and the St. Anthony Polar Centre serving the Northern Peninsula is currently under construction and will open in 2012.

Performance Measure 2: Assessment of regional service delivery options

Indicator	Progress and Accomplishments
Assessment report document	In fiscal year 2008-09, five assessment report documents were completed in response to communities that expressed an interest in regionalization initiatives. In 2010-11, an assessment report was completed for Fogo Island communities. The assessment reports included documentation on initial discussions, needs assessment committees, feasibility studies, and terms of cooperation/amalgamation, including financial information and governance structures. In addition to the above assessment reports, a technical study was conducted to assess the feasibility of connecting the George's Brook water supply to Clarenville's.

2010-2011

Objective 1.3: By March 31, 2011, the Department of Municipal Affairs, in cooperation with Municipalities Newfoundland and Labrador, will have identified opportunities for other communities throughout the Province to engage in regional cooperation initiatives.

Performance Measure: Identified opportunities for other communities to engage in regional cooperation initiatives

Indicators	Progress & Accomplishments
Shared-service feasibility studies completed	The Department has completed a study exploring the feasibility of attaching the George's Brook water system to Clarenville's. The two communities are discussing the results of the study to decide on any further action. Upon analysis, no other opportunities were identified to conduct shared-service feasibility studies in this fiscal year.
Facilitated regional cooperation discussions	Regional cooperation opportunities were identified by analyzing a variety of factors including geography, current cooperative arrangements, and information regarding financial or operational challenges being experienced at the municipal level. Upon the request of interested communities, the Department facilitated discussions regarding cooperation, amalgamations, annexations and mergers. The Department's facilitation role included scheduling meetings, recommending agenda items, monitoring action items and compiling information for use of participants. Municipalities Newfoundland and Labrador participated in some of these discussions, and the Department also engaged in other communications with MNL. The following regional cooperation discussions reached a successful conclusion in 2010-11: Fogo Island communities formed the new Town of Fogo Island; the unincorporated community of Lethbridge and surrounding communities formed a Local Service District; the communities of Queen's Cove and North West Brook joined the Local Service District of Hillview-Adeytown-Hatchet Cove-St. Jones Within, and Little Catalina annexed to Trinity Bay North. As of March 31, 2011, 36 communities continued to be involved in regional cooperation discussions.

ISSUE 2: Fiscal Framework

Increasing health standards for water quality, emerging environmental standards for waste water disposal and solid waste management, escalating costs associated with aging infrastructure and construction costs, paying down decades old municipal debts, and meeting an ever increasing range of service delivery demands have created significant fiscal challenges for municipalities. There are benefits to be realized with more standardized approaches to debt management, municipal service delivery standards, refocusing Government transfers, and enhancing municipal taxation authorities.

In its 2008-11 Strategic Plan, the Department identified New Fiscal Programs as a critical component in achieving the strategic direction of *Increased Regional Sustainability*. The Department of Municipal Affairs has conducted a jurisdictional review and worked with Municipalities Newfoundland and Labrador and other key stakeholders to review municipal financing authorities, programs and efficiencies in an effort to address the fiscal challenges facing municipalities.

This year the Department worked on refining a new fiscal framework designed to better meet the needs of municipalities. Implementation of a new fiscal framework will lead to increased regional sustainability.

Goal 2: By March 31, 2011, the Department of Municipal Affairs will have implemented a new municipal fiscal framework.

Performance Measure 1: Development of fiscal framework

Indicators	Progress & Accomplishments
Jurisdictional review of municipal fiscal arrangements	The Department commissioned two municipal financing studies, one examining municipal funding arrangements and the other examining municipal revenue sources across Canada.
Assessment of municipal revenue sources	The Department conducted an assessment of current municipal revenue sources in the Province, noting similarities and differences with other municipalities of similar size in other Canadian provinces.

Assessment of municipal service delivery costs	The Department conducted an assessment of current municipal service delivery costs in the Province.
Assessment of municipal accountability requirements	The Department assessed conditional and unconditional grants with respect to their impacts on municipal accountability and sustainability.
Fiscal framework	In the development of a fiscal framework to meet the needs of the 271 municipalities in the province, the Department undertook extensive research and analysis taking into account funding mechanisms, municipal expenditures, revenue generation capacities, and fiscal capacity of the Province. The complexity of the process necessitated more time, therefore the fiscal framework was not completed in this reporting period. However, to ensure that this issue was advanced, budget 2011 provided a one-time increase of $4.6 million to the Municipal Operating Grants (MOGs) provided to municipalities, bringing the total allocation to $22.4 million, distributed as follows: • 50% increase in MOGs for municipalities with fewer than 1,000 people; • 30% increase in MOGs for municipalities with 1,000 to 3,000 people; • 20% increase in MOGs for municipalities with 3,001 to 7,000 people; and • 10% increase in MOGs for municipalities with over 7,000 people. The Department continues to develop a new fiscal framework.

Performance Measure 2: Implementation of new municipal fiscal framework

Indicators	Progress & Accomplishments
Establishment of new fiscal programs	The completion of these indicators was contingent upon completion of the fiscal framework therefore these tasks could not be completed during the reporting period.
Transitional plan	
All provincial/ municipal transactions are in line with new fiscal framework	

Discussion of Results:

The Department undertook extensive research and analysis towards development of a new fiscal framework to address the needs of the municipalities. The complex issues necessitated additional time for analysis, therefore the framework was not finalized in this reporting period. With the decision to provide an interim increase in MOGs, the Department continues to work on the fiscal framework.

2010-2011

Objective 2.3: By March 31, 2011, the Department of Municipal Affairs will have implemented a new municipal fiscal framework.

Performance Measure: Implemented new municipal fiscal framework

Indicators	Progress & Accomplishments
Fiscal framework document completed	A fiscal framework document has been completed, however the fiscal framework is not yet finalized.
Establishment of new fiscal programs	The completion of these indicators was contingent upon completion of the fiscal framework therefore these tasks could not be completed during the reporting period.
Transition plan document completed	
Implemented a transitional plan	
Provincial/municipal transactions in line with new fiscal framework	

Discussion of Results:

The Department is continuing its efforts to develop and implement a new fiscal framework. In order to address some of the fiscal needs of municipalities, budget 2011 has provided for a one-time increase in Municipal Operating Grants. The Department continues to work on developing and implementing a new fiscal framework.

ISSUE 3: Municipal Infrastructure Strategy

Government has made significant municipal infrastructure investments in recent years both to upgrade existing infrastructure and to construct new infrastructure to meet community needs. However, the ongoing challenge with infrastructure investments is determining what should be maintained, replaced and/or developed; in particular, the priority setting is most challenging. There is a lack of data regarding location, physical condition assessment, remaining service life and replacement costs of infrastructure assets. Moreover, acquiring and utilizing this data is both demanding and complex. Best practices in asset management need to be reviewed and a program developed and piloted to ensure effective and efficient infrastructure investments and maintenance. An asset management approach would

provide an analytical tool to assess needs and set priorities to inform, refine, and shape the municipal infrastructure investment strategy.

In its 2008-11 Strategic Plan, the Department identified Asset Management Systems as a critical component in achieving the strategic direction of *Strengthened Municipal Capacity*. This year municipalities in the two pilot locations continued to implement their asset management systems. As it was a very complex process to implement the systems, the Department elected not to evaluate the two pilot systems until fiscal year 2011-12. The results of this evaluation will inform a Province-wide municipal asset management plan, which will contribute to strengthened municipal capacity in the Province.

Goal 3: By March 31, 2011, the Department of Municipal Affairs will have a municipal asset management plan for municipalities.

Performance Measure: Municipal asset management plan

Indicators	Progress & Accomplishments
Identification of pilot locations	Two pilot locations were selected, one rural and one urban. The rural location included the Burin Peninsula communities of Marystown, Burin, St. Lawrence, Fortune and Grand Bank. Mount Pearl was selected as the urban location.
Deployment of asset management systems in pilot locations	For the Burin communities, an asset management system was custom built by a local engineering company, and installed in the Marystown town office. In Mount Pearl, the software "Public Sector *Digest-City Wide Municipal*" was acquired through an RFP process.
Evaluation of piloted municipal asset management systems	The systems were not deployed until late 2009-10. Municipalities required sufficient time to enter a large volume of data into the asset management systems, as well as the opportunity to perform various functions utilizing the asset management systems. As a result, there was limited opportunity to conduct an evaluation by March 31, 2011. The Department expects the evaluation to be completed in Fall 2011.

Selection of municipal asset management system	Selection of a system is dependent upon the results of the evaluation of the pilots, consultation with stakeholders, and final analysis by the Department; therefore this could not be achieved prior to March 31, 2011.
Municipal asset management plan	The municipal asset management plan was not completed by March 31, 2011.

Discussion of Results:

Much has been learned about implementation of asset management systems both in a city and in small towns in a rural region of the Province. The Department looks forward to the valuable information which will be forthcoming in the upcoming evaluation of the pilot projects to be conducted by the consultant. This evaluation and input from municipal stakeholders will enable the Department to develop a Province-wide approach to asset management.

2010-2011

Objective 3.3: By March 31, 2011, the Department of Municipal Affairs will have a municipal asset management implementation plan for municipalities.

Performance Measure: Municipal asset management implementation plan for municipalities

Indicators	Progress & Accomplishments
Evaluated pilot projects	Implementation of the asset management systems by the municipalities required most of 2011 to reach a stage where evaluation would be feasible and would yield beneficial information. As a result the pilot projects were not evaluated by March 31, 2011. Terms of reference were developed to conduct the evaluation of the pilot projects in 2011-12. A Request for Proposals (RFP) was issued to hire a consultant to conduct the evaluation and to make recommendations for a Province-wide asset management system. The terms of reference for the RFP included:

	• Complete an evaluation of the two asset management systems currently being piloted in the City of Mount Pearl and Marystown and surrounding communities. • Taking into account the characteristics of typical Newfoundland and Labrador municipalities, evaluate the applicability of each of the pilot systems to other municipalities in the Province. • Develop a conceptual overview of options for implementation of a Province-wide asset management plan, including costs. • Make a recommendation on the most practical approach to municipal asset management in the Province.
Completed evaluation report	The consultant will submit an evaluation report to the Department by October 30, 2011.
Consulted Municipalities Newfoundland and Labrador	The Department will consult with Municipalities Newfoundland and Labrador on the findings and recommendations of the evaluation report, and a future course for asset management systems to serve municipal needs. The Department will take into consideration Municipalities Newfoundland and Labrador's views prior to making any final decisions on an asset management plan for the Province.
Selection of province-wide asset management system	Selection of a Province wide asset management system will be considered following review of the consult's evaluation report, and input from Municipalities Newfoundland and Labrador and other key stakeholders.
Asset management implementation plan report completed	The Department will address an asset management implementation plan for the Province following consideration of the evaluation report and input from stakeholders.

Discussion of Results:

When the Department's Strategic Plan was developed in 2008, it was projected that development of an asset management implementation plan could be completed by March 2011. Given that the pilot asset management systems were not deployed until the latter part of 2009-10, and that it took considerable time and effort by the participating municipalities to implement their systems, it was not feasible to evaluate the pilots prior to the end March 2011. The Department will not be in a position to make any decisions on an asset management plan until a comprehensive evaluation is completed. As a consequence, it was not possible to develop a provincial asset management plan by March 31, 2011.

OPPORTUNITIES AND CHALLENGES AHEAD

There are many opportunities and challenges ahead as the Department moves forward with addressing the needs of municipalities in Newfoundland and Labrador. The Department has developed a new Strategic Plan for 2011 – 14 which will focus on key issues affecting municipalities today.

Selecting appropriate infrastructure to meet community needs is a challenge both for communities and for the Department. The Department will develop new approaches to infrastructure investment, placing increasing emphasis on life cycle analysis to ensure that communities get the most appropriate infrastructure for their particular needs and circumstances, and that the infrastructure is the best value for both the Department and the community. This will be of particular importance to rural communities which need to provide essential services at a cost they can afford, both in the short and long terms.

Policies and procedures established by the Department of Municipal Affairs provide a framework within which municipal governments operate. The Department plans to enhance its policies and procedures to strengthen its support to local governments. Policies and procedures will be designed to enhance accountability and to assist local governments in the effective and efficient delivery of programs and services.

Many small rural communities are facing sustainability challenges due to decreasing populations and tax revenues, and increasing demands for modern services. The Department will assist communities in finding solutions to these challenges by conducting community capacity assessments and regional cooperation opportunities assessments. These assessments will provide communities with an information base and analyses whereby sustainability opportunities can be pursued.

The Department of Municipal Affairs envisions a Province where people enjoy healthy, safe and sustainable communities supported by strong local governments. We look forward to working with municipal councillors and other stakeholders to make this vision a reality.

33 legislative acts inform mandate of Department

APPENDIX A: LEGISLATIVE ACTS

The following legislation informs the mandate of the Department of Municipal Affairs:

Assessment Act, 2006	Avian Emblem Act
Building Standards Act	City of Corner Brook Act
City of Mount Pearl Act	City of St. John's Act
City of St. John's Municipal Taxation Act	Coat of Arms Act
Commemoration Day Act	Crown Corporations Local Taxation Act
Emergency Measures Act	Evacuated Communities Act
Family Homes Expropriation Act	Fire Prevention Act, 1991
Firefighter's Protection Act	Floral Emblem Act
Housing Act	Housing Association Loans Act
Labrador Act	Mineral Emblem Act
Municipal Affairs Act	Municipal Authorities Amendment Act, 1999
Municipal Elections Act	Municipalities Act, 1999
Provincial Anthem Act	Provincial Flag Act
Regional Service Boards Act	Remembrance Day Act
St. John's Centennial Foundation Act	St. John's Municipal Council Parks Act
Standard Time Act	Urban and Rural Planning Act, 2000
Taxation of Utilities and Cable Television Companies Act	

APPENDIX B: FINANCIAL STATEMENTS

Unaudited

Annual Report for Municipal Affairs 2010-11*

	Budget	Expenditure
Executive and Support Services		
Minister's Office: 1.1.01	296,000	337,981
Executive Support: 1.2.01	798,900	843,805
Administrative Support: 1.2.02	943,500	1,332,081
Less Provincial Revenue	-5,000	-1,300
	938,500	1,330,781
Administrative Support - Capital: 1.2.03	20,000	0
Total Executive and Support Services	**2,053,400**	**2,512,567**
Services to Municipalities		
Regional Support: 2.1.01	1,710,200	1,750,212
Less Provincial revenue	-169,000	0
	1,541,200	1,750,212
Municipal Finance: 2.1.02	354,300	383,959
Policy and Strategic Planning: 2.2.01	779,000	647,546
Engineering Services: 2.3.01	3,899,400	3,611,991
Less Provincial revenue	-438,000	-365,547
	3,461,400	3,246,444
Industrial Water Services: 2.3.02	1,075,700	741,169
Less Provincial Revenue	-707,700	-149,314
	368,000	591,855
Urban and Rural Planning: 2.3.03	695,600	626,607
Less Provincial Revenue	-5,200	-5,814
	690,400	620,793
Total Services to Municipalities	**7,194,300**	**7,240,809**
Assistance and Infrastructure		
Municipal Debt Servicing: 3.1.01	12,073,000	12,172,887
Municipal Operating Grants: 3.1.02	17,850,000	17,760,334
Special Assistance: 3.1.03	2,467,500	3,308,836
Community Enhancement: 3.1.04	5,020,000	9,069,069

	Budget	Expenditure
Municipal Infrastructure – Capital: 3.2.01	89,217,100	88,992,285
Federal/Provincial Infrastructure Programs – Capital 3.2.02	144,656,600	86,815,010
Less Federal Revenue	-53,364,700	-33,401,446
	91,291,900	53,413,564
Canada/NL Gas Tax Program – Capital: 3.2.03	34,119,900	29,007,821
Less Federal Revenue	-31,166,000	-31,166,000
	2,953,900	-2,158,179
Total Assistance and Infrastructure	**220,873,400**	**182,558,796**
Total Department	**230,121,100**	**192,312,172**

** Expenditure and revenue figures included in this document are un-audited and based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year ended 31 March 2011. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process; however the Department of Municipal Affairs is not required to provide a separate audited financial statement.*